Joe Morolong Local Municipality

(Registration number NC 451)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

General Information

Nature of business and principal activities	Joe Morolong Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996)	
Municipal Council Members		
Mayor	Cllr. M.D. Moremi	
Speaker		
Chief Whip		
Executive Members		
Party Representatives	Cllr. J. Freedman	
	Cllr. M.T. Tihelo	
	Cllr. T.P. Tshipo (Deceased)	
	Cllr. K. Ditshetelo	
	Cllr. S. Segano	
	Cllr. B. Matlhomantsho	
	Cllr. V. Jordan	
Ward Councillors	Cllr. N. Mokweni	Ward 1
	Cllr. O. Kaotsane	Ward 2
	Cllr. S. Ortel	Ward 3
	Cllr. K. Shuping	Ward 4
	Cllr. S. Matshidiso	Ward 5
	Cllr. G Sephekolo	Ward 6
	Cllr. K. Modise	Ward 7
	Cllr. E. Molawa	Ward 8
	Cllr. G. Moriri	Ward 9
	Cllr. D. Kubang	Ward 10
	Cllr. P. Segaetsho	Ward 11
	Cllr. S. Moagi	Ward 12
	Cllr. H. Kgopodithata	Ward 13
	Cllr. D. Josop	Ward 14
	Cllr. K. Teteme	Ward 15
Mayor		
Council Committees		
1. Finance, Human Resources and Administration		
Chairperson	Cllr. K.J. Mosiapoe	
Committee Members	Cllr. V. Jordan	
	Cllr. K. Shuping	
	Cllr. G. Moriri	
	Cllr. N. Mokweni	
	Cllr. T. Teteme	
	Cllr. O. Kaotsane	
2. IDP, Planning and Development		
Chairperson	Cllr. E.O. Leshope	
Committee Members	Cllr. M.E. Molawa	

General Information

	Cllr. S.P. Segaetsho
	Cllr. T.M. Mokgoje
	Cllr. J. Segano
	Cllr. K. Ditshetelo
	Cllr. B. Matlhomantsho
3. Infrastructure	
Chairperson	Cllr. B.M. Mbolekwa
Committee Members	Cllr. D.S. Josop
	Cllr. M.C. Tihelo
	Cllr. T.P. Tshipo (Deceased)
	Cllr. K.J. Modise
	Cllr. O. Kgopodithata
4. Community Service	
Chairperson	Cllr. N. Selebalo
Committee Members	Cllr. J. Freedman
	Cllr. S.J. Matshidiso
	Cllr. S. Ortel
	Cllr. D.C. Kubang
	Cllr. M.G. Sephekolo
Chief Financial Officer (CFO)	Mrs. B.D. Motlhaping
Business address	D320 Cardington Road Churchill Village 8474
Postal address	Private Bag X 117 Mothibistad 8474
Bankers	Standard Bank Limited Absa Bank Limited First National Bank
Auditors	Auditor General of South Africa

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
PAYE	Pay As You Earn
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WSOG	Water Services Operating Subsidy Grant

Relevant Legislation

Municipal Finance Management Act	(Act no 56 of 2003)
Division of Revenue Act	
The Income Tax Act	
Value Added Tax Act	
Municipal Structures Act	(Act no 117 of 1998)
Municipal Systems Act	(Act no 32 of 2000)
Municipal Planning and Performance Management Regulations	

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Water Services Act	(Act no 108 of 1997)
Housing Act	(Act no 107 of 1997)
Municipal Property Rates Act	(Act no 6 of 2004)
Electricity Act	(Act no 41 of 1987)
Skills Development Levies Act	(Act no 9 of 1999)
Employment Equity Act	(Act no 55 of 1998)
Unempoyment Insurance Act	(Act no 30 of 1966)
Basic Conditions of Employment Act	(Act no 75 of 1997)
Supply Chain Management Regulations	(2005)
SALGBC - Salary and Wage Collective Agreement	
Infrastructure Grants	
SALBC Leave Regulations	
Labour Relations Act	

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 7 to 57, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

Mr. T.M. Bloom
Accounting Officer

Joe Morolong Local Municipality

Joe Morolong Local Municipality

(Registration number NC 451)
Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	2016	2015 Restated*
Assets		
Current Assets		
Inventories	1 577 652	1 797 983
Receivables from non-exchange transactions	1 255 546	1 245 014
VAT receivable	4 290 274	3 586 880
Receivables from exchange transactions	10 555 883	58 131 483
Cash and cash equivalents	21 570 148	691 588
	39 249 503	**65 452 948**
Non-Current Assets		
Property, plant and equipment	1 644 360 348	1 619 283 039
Intangible assets	474 321	474 321
	1 644 834 669	**1 619 757 360**
Total Assets	**1 684 084 172**	**1 685 210 308**
Liabilities		
Current Liabilities		
Other financial liabilities	784 454	784 507
Payables from exchange transactions	59 933 990	40 151 493
Unspent conditional grants and receipts	381 030	-
Provisions	1 389 713	1 165 811
Bank overdraft	4 567 556	16 122 827
	67 056 743	**58 224 638**
Non-Current Liabilities		
Other financial liabilities	33 262 566	1 802 600
Finance lease obligation	(46 802 970)	-
Provisions	3 518 969	1 565 000
	(10 021 435)	**3 367 600**
Total Liabilities	**57 035 308**	**61 592 238**
Net Assets	**1 627 048 864**	**1 623 618 070**
Accumulated surplus	1 627 048 864	1 623 618 070

* See Note 42

Joe Morolong Local Municipality
(Registration number NC 451)
Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	30 944 892	20 550 869
Rental of facilities and equipment	18	60 600	73 939
Interest received (trading)		7 337 104	4 583 384
Other income	17	2 390 658	751 433
Interest received - investment	16	1 585 117	1 155 435
Total revenue from exchange transactions		**42 318 371**	**27 115 060**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	10 418 008	10 426 038
Sundry revenue		1 365 706	1 708 460
Transfer revenue			
Government grants & subsidies	21	296 135 568	256 511 323
Public contributions and donations	22	(10 000)	4 977 620
Total revenue from non-exchange transactions		**307 909 282**	**273 623 441**
Total revenue	23	**350 227 653**	**300 738 501**
Expenditure			
Employee related costs	31	56 713 707	47 446 687
Remuneration of councillors	32	7 817 698	8 531 355
Depreciation and amortisation	27	57 117 989	26 490 835
Finance costs	28	290 784	202 490
Debt Impairment	26	79 248 917	(59 839 362)
Repairs and maintenance		38 723 697	9 252 042
Bulk purchases	24	10 095 492	11 103 962
Contracted services	25	-	465 600
Transfers and Subsidies	30	52 992 455	18 379 122
General Expenses	29	43 796 125	39 204 895
Total expenditure		**346 796 864**	**101 237 626**
Operating surplus		**3 430 789**	**199 500 875**
Surplus for the year		**3 430 789**	**199 500 875**

* See Note 42

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 443 574 269	1 443 574 269
Adjustments		
Prior year adjustments	(19 457 074)	(19 457 074)
Balance at 01 July 2014 as restated*	**1 424 117 195**	**1 424 117 195**
Changes in net assets		
Surplus for the year	199 500 875	199 500 875
Total changes	199 500 875	199 500 875
Restated* Balance at 01 July 2015	**1 623 618 075**	**1 623 618 075**
Changes in net assets		
Surplus for the year	3 430 789	3 430 789
Total changes	3 430 789	3 430 789
Balance at 30 June 2016	**1 627 048 864**	**1 627 048 864**

Note(s)

* See Note 42

Joe Morolong Local Municipality
(Registration number NC 451)
Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	2016	2015 Restated*
Cash flows from operating activities		
Receipts		
Sale of goods and services	20 823 121	68 756 052
Grants	243 524 143	238 132 201
Interest income	1 585 117	1 155 435
	265 932 381	308 043 688
Payments		
Employee costs	(64 531 405)	(55 978 042)
Suppliers	(71 138 010)	(50 785 343)
Finance costs	(290 784)	(202 490)
Other cash item	5	2
	(135 960 194)	(106 965 873)
Net cash flows from operating activities	**129 972 187**	**201 077 815**
Cash flows from investing activities		
Purchase of property, plant and equipment	(82 677 491)	(181 525 951)
Proceeds from sale of property, plant and equipment	482 194	229 717
Purchase of other intangible assets	-	(245 774)
Other cash item	(1)	(18 682 275)
Net cash flows from investing activities	**(82 195 298)**	**(200 224 283)**
Cash flows from financing activities		
Repayment of other financial liabilities	31 459 913	(638 182)
Finance lease payments	(46 802 970)	-
Net cash flows from financing activities	**(15 343 057)**	**(638 182)**
Net increase/(decrease) in cash and cash equivalents	**32 433 832**	**(215 348)**
Cash and cash equivalents at the beginning of the year	(15 431 239)	(15 215 891)
Cash and cash equivalents at the end of the year	**17 002 593**	**(15 431 239)**

* See Note 42

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	15 912 000	(1 867 000)	**14 045 000**	30 944 892	**16 899 892**
Rental of facilities and equipment	97 000	(18 000)	**79 000**	60 600	**(18 400)**
Interest received (trading)	50 000	(25 000)	**25 000**	7 337 104	**7 312 104**
Agency services	109 000	(55 000)	**54 000**	-	**(54 000)**
Transfers recognised	147 129 000	8 316 000	**155 445 000**	-	**(155 445 000)**
Other income - (rollup)	582 000	8 729 000	**9 311 000**	2 390 658	**(6 920 342)**
Interest received - investment	-	364 000	**364 000**	1 585 117	**1 221 117**
Total revenue from exchange transactions	**163 879 000**	**15 444 000**	**179 323 000**	**42 318 371**	**(137 004 629)**
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	10 489 000	6 398 000	**16 887 000**	10 418 008	**(6 468 992)**
Other taxation revenue 1	-	-	-	1 365 706	**1 365 706**
Transfer revenue					
Government grants & subsidies	-	-	-	296 135 568	**296 135 568**
Public contributions and donations	-	-	-	(10 000)	**(10 000)**
Total revenue from non-exchange transactions	**10 489 000**	**6 398 000**	**16 887 000**	**307 909 282**	**291 022 282**
Total revenue	**174 368 000**	**21 842 000**	**196 210 000**	**350 227 653**	**154 017 653**
Expenditure					
Employee costs	(49 199 000)	(2 506 000)	**(51 705 000)**	(56 713 707)	**(5 008 707)**
Remuneration of councillors	(8 538 000)	(1 175 000)	**(9 713 000)**	(7 817 698)	**1 895 302**
Depreciation and asset impairment	(10 000 000)	-	**(10 000 000)**	(57 117 989)	**(47 117 989)**
Finance costs	(934 000)	-	**(934 000)**	-	**934 000**
Bad debts written off	-	-	-	(79 248 917)	**(79 248 917)**
Repairs and maintenance	-	-	-	(38 723 697)	**(38 723 697)**
Bulk purchases	(10 847 000)	1 173 000	**(9 674 000)**	(10 095 492)	**(421 492)**
Contracted Services	(20 398 000)	1 698 000	**(18 700 000)**	-	**18 700 000**
Transfers and Subsidies	(4 730 000)	(197 000)	**(4 927 000)**	(52 992 455)	**(48 065 455)**
General Expenses	-	-	-	(44 086 909)	**(44 086 909)**
Debt Impairment	(3 960 000)	-	**(3 960 000)**	-	**3 960 000**
Other expenditure	(55 048 000)	(18 334 000)	**(73 382 000)**	-	**73 382 000**
Total expenditure	**(163 654 000)**	**(19 341 000)**	**(182 995 000)**	**(346 796 864)**	**(163 801 864)**
Surplus before taxation	**10 714 000**	**2 501 000**	**13 215 000**	**3 430 789**	**(9 784 211)**
Capital transfers and contributions	(115 669 000)	(17 082 000)	**(132 751 000)**	-	**132 751 000**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**126 383 000**	**19 583 000**	**145 966 000**	**3 430 789**	**(142 535 211)**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Position					
Assets					
Current Assets					
Inventories	1 575 000	-	**1 575 000**	1 577 652	**2 652**
Receivables from non-exchange transactions	-	-	-	1 255 546	**1 255 546**
VAT receivable	-	-	-	4 290 274	**4 290 274**
Consumer debtors	4 916 000	-	**4 916 000**	10 555 883	**5 639 883**
Call investment deposits	257 000	-	**257 000**	-	**(257 000)**
Cash and cash equivalents	13 173 000	-	**13 173 000**	21 570 148	**8 397 148**
	19 921 000	-	**19 921 000**	**39 249 503**	**19 328 503**
Non-Current Assets					
Property, plant and equipment	1 261 992 000	138 765 000	**1 400 757 000**	1 644 360 348	**243 603 348**
Intangible assets	420 000	-	**420 000**	474 321	**54 321**
	1 262 412 000	**138 765 000**	**1 401 177 000**	**1 644 834 669**	**243 657 669**
Total Assets	**1 282 333 000**	**138 765 000**	**1 421 098 000**	**1 684 084 172**	**262 986 172**
Liabilities					
Current Liabilities					
Other financial liabilities	-	-	-	784 454	**784 454**
Payables from exchange transactions	13 214 000	-	**13 214 000**	59 933 994	**46 719 994**
Unspent conditional grants and receipts	-	-	-	381 030	**381 030**
Provisions	677 000	-	**677 000**	1 389 713	**712 713**
Borrowings	784 000	-	**784 000**	-	**(784 000)**
Bank overdraft	-	-	-	4 567 556	**4 567 556**
	14 675 000	-	**14 675 000**	**67 056 747**	**52 381 747**
Non-Current Liabilities					
Other financial liabilities	-	-	-	33 262 566	**33 262 566**
Finance lease obligation	-	-	-	(46 802 970)	**(46 802 970)**
Provisions	1 629 000	-	**1 629 000**	3 518 965	**1 889 965**
Borrowings	2 516 000	-	**2 516 000**	-	**(2 516 000)**
	4 145 000	-	**4 145 000**	**(10 021 439)**	**(14 166 439)**
Total Liabilities	**18 820 000**	-	**18 820 000**	**57 035 308**	**38 215 308**
Net Assets	**1 263 513 000**	**138 765 000**	**1 402 278 000**	**1 627 048 864**	**224 770 864**
Net Assets					
Net Assets Attributable to Owners of Controlling Entity					
Reserves					
Accumulated surplus	1 263 513 000	138 765 000	**1 402 278 000**	1 627 048 864	**224 770 864**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Cash Flow Statement					
Cash flows from operating activities					
Receipts					
Sale of goods and services	22 442 000	(2 316 000)	**20 126 000**	-	**(20 126 000)**
Grants	262 798 000	25 398 000	**288 196 000**	-	**(288 196 000)**
Interest income	40 000	324 000	**364 000**	-	**(364 000)**
Other receipts	714 000	8 657 000	**9 371 000**	-	**(9 371 000)**
	285 994 000	**32 063 000**	**318 057 000**	-	**(318 057 000)**
Payments					
Suppliers and employees	(143 873 000)	(25 906 000)	**(169 779 000)**	-	**169 779 000**
Transfers and grants	(4 730 000)	-	**(4 730 000)**	-	**4 730 000**
Finance costs	(149 000)	(28 000)	**(177 000)**	-	**177 000**
	(148 752 000)	**(25 934 000)**	**(174 686 000)**	-	**174 686 000**
Net cash flows from operating activities	**137 242 000**	**6 129 000**	**143 371 000**	-	**(143 371 000)**
Cash flows from investing activities					
Purchase of property, plant and equipment	(126 383 000)	(12 516 000)	**(138 899 000)**	-	**138 899 000**
Cash flows from financing activities					
Movement in borrowings	(784 000)	-	**(784 000)**	-	**784 000**
Net increase/(decrease) in cash and cash equivalents	10 075 000	(6 387 000)	**3 688 000**	-	**(3 688 000)**
Cash and cash equivalents at the beginning of the year	3 099 000	-	**3 099 000**	-	**(3 099 000)**
Cash and cash equivalents at the end of the year	**13 174 000**	**(6 387 000)**	**6 787 000**	-	**(6 787 000)**

Joe Morolong Local Municipality
(Registration number NC 451)
Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	10 489 000	6 398 000	16 887 000	-	[redacted]	16 887 000	10 418 008	[redacted]	(6 468 992)	62 %	99 %
Service charges	15 912 000	(1 867 000)	14 045 000	-		14 045 000	30 944 892		16 899 892	220 %	194 %
Investment revenue	-	364 000	364 000	-		364 000	1 585 117		1 221 117	435 %	DIV/0 %
Transfers recognised - operational	147 129 000	8 316 000	155 445 000	-		155 445 000	118 229 470		(37 215 530)	76 %	80 %
Other own revenue	838 000	8 631 000	9 469 000	-		9 469 000	11 154 068		1 685 068	118 %	1 331 %
Total revenue (excluding capital transfers and contributions)	**174 368 000**	**21 842 000**	**196 210 000**	**-**		**196 210 000**	**172 331 555**		**(23 878 445)**	**88 %**	**99 %**
Employee costs	(49 199 000)	(2 506 000)	(51 705 000)	-	-	(51 705 000)	(56 713 707)	-	(5 008 707)	110 %	115 %
Remuneration of councillors	(8 538 000)	(1 175 000)	(9 713 000)	-	-	(9 713 000)	(7 817 698)	-	1 895 302	80 %	92 %
Debt impairment	(3 960 000)	-	(3 960 000)	[redacted]		(3 960 000)	(79 248 917)	-	(75 288 917)	2 001 %	2 001 %
Depreciation and asset impairment	(10 000 000)	-	(10 000 000)			(10 000 000)	(57 117 989)	-	(47 117 989)	571 %	571 %
Finance charges	(934 000)	-	(934 000)	-	-	(934 000)	(290 784)	-	643 216	31 %	31 %
Materials and bulk purchases	(31 245 000)	2 871 000	(28 374 000)	-	-	(28 374 000)	(10 095 492)	-	18 278 508	36 %	32 %
Transfers and grants	(4 730 000)	(197 000)	(4 927 000)	-	-	(4 927 000)	(52 992 455)	-	(48 065 455)	1 076 %	1 120 %
Other expenditure	(55 048 000)	(18 334 000)	(73 382 000)	-	-	(73 382 000)	(82 519 822)	-	(9 137 822)	112 %	150 %
Total expenditure	**(163 654 000)**	**(19 341 000)**	**(182 995 000)**	**-**	**-**	**(182 995 000)**	**(346 796 864)**	**-**	**(163 801 864)**	**190 %**	**212 %**
Surplus/(Deficit)	**10 714 000**	**2 501 000**	**13 215 000**	**-**	[redacted]	**13 215 000**	**(174 465 309)**	[redacted]	**(187 680 309)**	**(1 320)%**	**(1 628)%**

Joe Morolong Local Municipality
(Registration number NC 451)
Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	115 669 000	17 082 000	132 751 000	-		132 751 000	177 906 098		45 155 098	134 %	154 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	(10 000)		(10 000)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**126 383 000**	**19 583 000**	**145 966 000**	**-**		**145 966 000**	**3 430 789**		**(142 535 211)**	**2 %**	**3 %**
Surplus/(Deficit) for the year	**126 383 000**	**19 583 000**	**145 966 000**	**-**		**145 966 000**	**3 430 789**		**(142 535 211)**	**2 %**	**3 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

The municipality reassesses the useful lives and residual values of property, plant and equipment, investment property and intangible assets on an annual basis. In reassessing the useful lives and residual values of property, plant and equipment, investment property and intangible assets management considers the condition and use of the individual assets, and base it on industry knowledge, to determine the remaining period over which the asset can and will be used and the residual value.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Long service awards

The long service awards liability arises from the municipality being a party to the Collective Agreement on Conditions of Service for Northern Cape Division of SALGBC. The long service awards plan is a defined benefit plan accounted for in terms of GRAP

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

1.4 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequently all Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Accounting Policies

1.5 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

1.6 Financial instruments

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Accounting Policies

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.8 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs

Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

Water Inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the first-in-first-out method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold Properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Other Arrangements

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise. The amount of any reversal of any writedown of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.9 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Accounting Policies

1.9 Construction contracts and receivables (continued)

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of a cash-generating asset is the higher of its fair value less costs to sell and its value in use.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.10 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined. The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Accounting Policies

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the corridor method. Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

1.13 Employee benefits

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

1.14 Provisions and contingencies (continued)

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

1.14 Provisions and contingencies (continued)

Provisions for restructuring costs

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:
- The business or part of a business concerned;
- The principal locations affected;
- The location, function, and approximate number of employees who will be compensated for terminating their services

- The expenditures that will be undertaken; and

- When the plan will be implemented.

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Transitional provision

The municipality changed its accounting policy for provisions, contingent liabilities and contingent assets in 2016. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where provisions, contingent liabilities and contingent assets was acquired through a transfer of functions, the municipality is not required to measure that provisions, contingent liabilities and contingent assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2016 and provisions, contingent liabilities and contingent assets has accordingly been recognised at provisional amounts, as disclosed in 15.

Until such time as the measurement period expires and provisions, contingent liabilities and contingent assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets implies that any associated presentation and disclosure requirements need not be complied with for provisions, contingent liabilities and contingent assets not measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets.

Prepaid water and electricity

Revenue from the sale of water and electricity prepaid meter cards are recognised at the point of sale.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Service charges

Service charges are levied in terms of approved tariffs. Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property and water consumption, using the tariffs approved by council, and are levied monthly.

1.16 Revenue from non-exchange transactions

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.22 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the municipality, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. The municipality regards all individuals at senior management as key management per the definition of the financial reporting standard.

Close members of the family of key management personnel are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.23 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.24 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

Accounting Policies

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The audited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Government grants and receipts

Government grants and receipts are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the statement of financial performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the statement of financial performance.

Revenue comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.27 Value added tax (VAT)

The municipality accounts for value added tax on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7(1)(a) of the VAT Act in respect of the supply of goods or services except where the suppliers are specifically zero rated in terms of section 11, exempt in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

The municipality accounts for VAT on a monthly basis.

Finance income

Interest earned on investments is recognised in the statement of financial performance on the time-proportionate basis that takes into account the effective yield on the investment.

Rentals received

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant advertised tariff. This includes the issuing of licences and permits.

Revenue from agency services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

Sale of goods (including houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership
  nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.28 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in notes to the annual financial statements.

1.29 Commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance, but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:
- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself tofuture transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

1.30 Change in accounting estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

Figures in Rand	2016	2015

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

3. Inventories

Consumable stores	1 577 652	1 797 983

Inventory pledged as security

No Inventory was pledged as security

4. Receivables from non-exchange transactions

Employee costs in advance	962 754	1 102 232
Unallocated receipts	292 792	142 782
	1 255 546	**1 245 014**

5. VAT receivable

VAT	4 290 274	3 586 880

6. Receivables from exchange transactions

Gross balances		
Rates	47 392 117	37 650 586
Electricity	5 015 397	3 879 578
Water	40 725 383	21 720 574
Sewerage	24 386 474	22 590 719
Refuse	2 400 371	1 837 555
Service debtors	21 613 511	22 239 467
	141 533 253	**109 918 479**
Less: Allowance for Impairment		
Rates	(40 997 014)	(17 940 006)
Electricity	(3 920 167)	(2 883 243)
Water	(38 218 281)	(19 347 838)
Sewerage	(22 837 200)	(2 432 892)
Refuse	(2 059 637)	(1 806 579)
Service debtors	(22 945 071)	(7 376 438)
	(130 977 370)	**(51 786 996)**
Net balance		
Rates	6 395 103	19 710 580
Electricity	1 095 230	996 335
Water	2 507 102	2 372 736
Sewerage	1 549 274	20 157 827
Refuse	340 734	30 976
Service debtors	(1 331 560)	14 863 029
	10 555 883	**58 131 483**

Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	-	17 581 035
Net balance	**-**	**17 581 035**

Rates		
Current (0 -30 days)	6 395 103	19 710 580

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

6. Receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	1 095 230	77 984
31 - 60 days	-	88 326
61 - 90 days	-	112 313
91 - 120 days	-	101 013
> 365 days	-	616 699
	1 095 230	**996 335**

Water		
Current (0 -30 days)	2 507 102	1 050 118
31 - 60 days	-	757 084
61 - 90 days	-	565 534
	2 507 102	**2 372 736**

Sewerage		
Current (0 -30 days)	1 549 274	166 821
31 - 60 days	-	158 304
61 - 90 days	-	155 602
91 - 120 days	-	153 100
121 - 365 days	-	908 690
> 365 days	-	18 615 310
	1 549 274	**20 157 827**

Refuse		
Current (0 -30 days)	340 734	30 976

Other (specify)		
Current (0 -30 days)	(1 331 560)	1 405 833
31 - 60 days	-	176 322
61 - 90 days	-	5 546
91 - 120 days	-	2 285 529
121 - 365 days	-	682 651
> 365 days	-	10 307 148
	(1 331 560)	**14 863 029**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

6. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

	2016	2015
Consumers		
Current (0 -30 days)	-	16 467
31 - 60 days	-	2 770
61 - 90 days	-	7 846
91 - 120 days	-	379
121 - 365 days	-	36 352
	-	**63 814**

	2016	2015
Industrial/ commercial		
Current (0 -30 days)	-	2 017 402
31 - 60 days	-	11 019
61 - 90 days	-	969
91 - 120 days	-	2 131
121 - 365 days	-	140 172
	-	**2 171 693**

	2016	2015
National and provincial government		
Current (0 -30 days)	-	120 253
31 - 60 days	-	103 027
61 - 90 days	-	111 185
91 - 120 days	-	2 284 919
121 - 365 days	-	53 100 327
	-	**55 719 711**

	2016	2015
Total		
Current (0 -30 days)	10 555 883	5 277 815
31 - 60 days	-	2 454 323
61 - 90 days	-	2 250 806
91 - 120 days	-	5 612 905
121 - 365 days	-	15 005 623
> 365 days	-	69 508 431
	10 555 883	100 109 903
Less: Allowance for impairment	-	(41 978 420)
	10 555 883	**58 131 483**

	2016	2015
Less: Allowance for impairment		
Current (0 -30 days)	(130 977 370)	(111 626 359)
31 - 60 days	-	59 839 363
	(130 977 370)	**(51 786 996)**

	2016	2015
Reconciliation of allowance for impairment		
Balance at beginning of the year	(130 977 370)	(111 626 359)
Reversal of allowance	-	59 839 363
	(130 977 370)	**(51 786 996)**

7. Consumer debtors disclosure

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

8. Cash and cash equivalents (continued)

	2016	2015
Short-term deposits	21 570 148	691 588
Bank overdraft	(4 567 556)	(16 122 827)
	17 002 592	**(15 431 239)**
Current assets	21 570 148	691 588
Current liabilities	(4 567 556)	(16 122 827)
	17 002 592	**(15 431 239)**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA Bank Limited - 4054385292	587 374	1 059 615	1 651 603	21 081	1 047 359	1 635 548
Standard Bank - Primary account bank - 302854185	2 422 389	954 381	1 444 403	-	(17 170 605)	(17 191 204)
CALL INVESTMENT DEPOSITS:	-	-	-	-	-	-
ABSA Bank Limited - Call account -9288820487	261 528	246 131	232 404	-	246 131	232 404
ABSA Bank Limited - Call deposit - 9092688429 - CLOSED	-	-	-	3 547	-	-
ABSA Bank Limited - Call deposit - 9152455805 - CLOSED	-	-	-	2 552	-	-
ABSA Bank Limited - Call deposit - 9279306228 -CLOSED	-	-	-	1 000	-	-
First National Bank - Call Deposit - 62247117709	111 970	105 862	3 205	-	105 862	3 205
ABSA Bank Limited - Fixed deposit - 2073969801	32 872	31 135	29 701	-	31 135	29 701
ABSA Bank Limited - Depositor plus - 9297200038	244 913	230 838	-	-	230 838	-
Standard Bank - Money market call account - 548529973 003	76 735	72 414	69 330	-	72 414	69 330
Standard Bank - Money market call account - 548529973 002	5 330	5 208	5 125	-	5 208	5 125
Nedbank - Call deposit - 7881112840	20 836 800	-	-	-	-	-
Total	**24 579 911**	**2 705 584**	**3 435 771**	**28 180**	**(15 431 658)**	**(15 215 891)**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

9. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Community	138 439 351	(29 122 036)	109 317 315	134 937 935	(24 332 426)	110 605 509
Computer equipment	2 629 758	(1 888 238)	741 520	2 207 908	(1 400 312)	807 596
Furniture and fixtures	2 392 587	(1 961 822)	430 765	2 274 890	(1 695 341)	579 549
Infrastructure	1 564 159 498	(187 282 799)	1 376 876 699	1 438 002 164	(137 090 808)	1 300 911 356
Land	7 169 290	-	7 169 290	7 169 290	-	7 169 290
Motor vehicles	6 223 007	(2 400 105)	3 822 902	11 252 146	(6 580 273)	4 671 873
Other property, plant and equipment	2 919 223	(1 718 810)	1 200 413	3 842 279	(1 682 412)	2 159 867
Work in progress - Infrastructure	144 801 444	-	144 801 444	192 377 999	-	192 377 999
Total	**1 868 734 158**	**(224 373 810)**	**1 644 360 348**	**1 792 064 611**	**(172 781 572)**	**1 619 283 039**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Community	110 605 509	3 501 416	-	-	(4 789 610)	109 317 315
Computer equipment	807 596	439 723	(13 334)	-	(492 465)	741 520
Furniture and fixtures	579 549	155 575	661	-	(305 020)	430 765
Infrastructure	1 300 911 356	-	-	126 157 334	(50 191 991)	1 376 876 699
Land	7 169 290	-	-	-	-	7 169 290
Motor vehicles	4 671 873	-	45 148	-	(894 119)	3 822 902
Other property, plant and equipment	2 159 867	-	(514 669)	-	(444 785)	1 200 413
Work in progress	192 377 999	78 580 777	-	(126 157 332)	-	144 801 444
	1 619 283 039	**82 677 491**	**(482 194)**	**2**	**(57 117 990)**	**1 644 360 348**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Newly found assets	Transfers	Other changes, movements	Depreciatior
Community	109 331 976	5 771 465	-	-	-	-	(4 497 93
Computer equipment	947 790	266 213	(174 789)	-	-	-	(231 61
Furniture and fixtures	694 825	198 644	(1 473)	-	-	(3 422)	(309 02
Infrastructure	881 595 821	47 830 047	352 610	391 013 775	-	-	(19 880 89
Land	7 169 290	-	-	-	-	-	
Motor vehicles	4 962 860	1 377 642	(406 065)	-	-	-	(1 262 56
Other property, plant and equipment	872 627	1 155 522	-	-	-	355 056	(223 33
Work in progress	119 827 892	124 926 418	-	-	(52 376 311)	-	
	1 125 403 081	**181 525 951**	**(229 717)**	**391 013 775**	**(52 376 311)**	**351 634**	**(26 405 37**

Figures in Rand	2016	2015

9. Property, plant and equipment (continued)

Pledged as security

The municipality did not pledge any of its assets as security.

All property, plant and equipment is being fully utilised by the municipality. There is therefore no idle property, plant and equipment.

The carrying amount of property, plant and equipment does not materially differ to the fair value of the disclosed property, plant and equipment.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	613 000	(138 679)	474 321	613 000	(138 679)	474 321

Reconciliation of intangible assets - 2016

	Opening balance	Total
Computer software, other	474 321	474 321

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	314 007	245 774	(85 460)	474 321

11. Unspent conditional grants and receipts

In the current year the municipality does not have unspent conditional grants because all the allocated grants were fully utilized except for the Library Grant.

Unspent conditional grants and receipts comprises of:

	2016	2015
Unspent conditional grants and receipts		
Library Grant	381 030	-

See note 21 for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

Figures in Rand		2016	2015

12. Long-term liabilities

		2016	2015
At amortised cost			
Development Bank of South Africa- Short term portion		32 893 791	784 507
Loan number:	101251/1		
Starting date:	01/07/2007		
Redemption date:	30/06/2017		
Capital and Interest repayment frequency:	6 Months		
Interest rate:	1.000% (Fixed)		
Development Bank of South Africa		1 153 229	1 802 600
Loan number:	101797/1		
Starting date:	01/07/2011		
Redemption date:	30/06/2027		
Capital and Interest repayment frequency:	6 Months		
Interest rate:	8.848% (Fixed)		
		34 047 020	**2 587 107**
Total other financial liabilities		**34 047 020**	**2 587 107**
Non-current liabilities			
At amortised cost		33 262 566	1 802 600
Current liabilities			
At amortised cost		784 454	784 507

13. Payables from exchange transactions

	2016	2015
Accrual of 13th cheque	1 126 412	1 126 423
Accrued interest	2 706 114	10 029
Accrued leave pay	2 375 776	2 375 776
Debtors with credit balances	17 108 584	17 108 584
Deposits received	400	400
Other payables	19 888 312	14 300 606
Unallocated deposits	11 981	11 981
Retention fees	1 212 757	1 429 388
Sundry deposits	668 935	668 935
Trade payables	14 834 719	3 119 371
	59 933 990	**40 151 493**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

14. VAT payable

15. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Provision for landfill site	1 565 000	1 953 969	3 518 969
Provision for long service awards	1 165 811	223 902	1 389 713
	2 730 811	**2 177 871**	**4 908 682**

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Provision for landfill site	1 883 570	-	(318 570)	1 565 000
Provision for long service awards	692 967	472 844	-	1 165 811
	2 576 537	**472 844**	**(318 570)**	**2 730 811**

	2016	2015
Non-current liabilities	3 518 969	1 565 000
Current liabilities	1 389 713	1 165 811
	4 908 682	**2 730 811**

Provision for environmental rehabilitation

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs. A valuation was performed by independent experts and the related report is available for inspection at the municipal main offices.

Provision for long service awards

Discount Rate: IAS19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant and as prescribed in GRAP25, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 7.66% per annum has been used. This rate does not reflect any adjustment for taxation. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.13%. These rates do not reflect any adjustment for taxation.

16. Investment revenue

	2016	2015
Interest revenue		
Bank	1 585 117	1 155 435

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

17. Other income

Admin fees	14 885	13 550
Cemetry fees	228	202
Grading fees	22 025	3 316
Insurance claims received	461 226	17 322
Other water charges	-	226 426
Photocopies	20 738	9 786
Profit on disposal of assets	1 422 204	-
Rental income	1 579	4 561
Skills development claims income	8 008	18 732
Telephone cost reclaimed	236 382	118 931
Tender documents	133 055	246 192
Water connection fees	70 328	92 415
	2 390 658	**751 433**

18. Rental of facilities and equipment

Premises		
Premises	17 437	14 421
Facilities and equipment		
Rental of facilities	43 163	59 518
	60 600	**73 939**

19. Service charges

Sale of electricity	5 259 100	4 554 753
Sale of water	22 822 755	13 571 487
Solid waste	976 133	867 640
Sewerage and sanitation charges	1 886 904	1 556 989
	30 944 892	**20 550 869**

20. Property rates

Rates received

Agricultural	24 572 449	18 130 272
Commercial	1 321 171	2 048 771
Residential	7 460 408	10 323 062
Less: Rebates	(22 936 020)	(20 076 067)
	(15 475 612)	(9 753 005)
	10 418 008	**10 426 038**

Property rates are levied monthly on a fair market value on properties and are payable the 1st working day of each month.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

21. Government grants and subsidies

Operating grants		
Equitable share	115 253 000	93 255 000
Finance Management Grant (FMG)	1 675 000	1 600 000
Library Grant	371 470	969 000
Municipal Systems Improvement Grant (MSIG)	930 000	934 000
	118 229 470	96 758 000
Capital grants		
ACIP Sanitation	5 213 082	28 642 962
Extended Public Works Programme	2 336 000	1 969 000
Municipal Infrastructure Grant (MIG)	63 599 000	57 058 000
Kumba Iron Ore SLP (Other conditional grants)	9 408 506	7 066 676
Rural Household Infrastructure Grant	14 849 510	5 016 685
Water Operation and Subsidy Grant	22 500 000	10 000 000
Municipal Water Infrastructure Grant (MWIG)	60 000 000	50 000 000
	97 349 510	65 016 685
	296 135 568	**256 511 323**

Equitable Share

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Extended Public Works Programme

Current-year receipts	2 336 000	1 969 000
Conditions met - transferred to revenue	(2 336 000)	(1 969 000)
	-	-

The grant is used for public works programmes and focuses on job creation through implementation of labour intensive projects.

Financial Management Grant (FMG)

Current-year receipts	1 675 000	1 600 000
Conditions met - transferred to revenue	(1 675 000)	(1 600 000)
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003.The FMG also pays for the cost of the Financial Management Internship Programme (eg. salary costs of the Financial Management Interns).

Municipal Infrastructure Grant (MIG)

Current-year receipts	63 599 000	57 058 000
Conditions met - transferred to revenue	(63 599 000)	(57 058 000)
	-	-

MIG is a conditional grant that was established to address national priorities regarding municipal infrastructure that may not be realised through unconditional grants such as equitable share. Among other conditions no MIG funds may be spent outside the framework of the municipality's existing Intergrated Development Plan and its approved budget.

Library Grant

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

21. Government grants and subsidies (continued)

Current-year receipts	752 500	969 000
Conditions met - transferred to revenue	(371 470)	(969 000)
	381 030	-

The grant is received from the provincial Department of Sport, Arts and Culture to transform urban and rural community library infrastructure, facilities and services through a recapitalised programme at provincial level in support of local government and national initiatives.

Municipal Water Infrastructure Grant (MWIG)

Current-year receipts	60 000 000	50 000 000
Conditions met - transferred to revenue	(60 000 000)	(50 000 000)
	-	-

The grant is received to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service

Municipal Systems Improvement Grant (MSIG)

Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	-	-

The grant was used to assist in building capacity in the district and local municipalities to ensure that the new development system of local goverment is fully implemented.

Rural Household Infrastructure Grant

Current-year receipts	14 849 510	5 016 685
Conditions met - transferred to revenue	(14 849 510)	(5 016 685)
	-	-

To provide specific capital funding for the reduction of rural sanitation backlogs and to target existing households where bulk-dependent services are not viable.

Water Operation and Subsidy Grant

Current-year receipts	22 500 000	10 000 000
Conditions met - transferred to revenue	(22 500 000)	(10 000 000)
	-	-

The subsidy is utilised to subsideise, refurbish and restore the functionality of water services schemes previously owned and/or operated by the Department of Water Affairs or by other agencies on behalf of the department.

Kumba Iron Ore SLP (Other conditional grants)

Current-year receipts	9 408 506	7 066 676
Conditions met - transferred to revenue	(9 408 506)	(7 066 676)
	-	-

The purpose of the grant is to ensure that holders of mining or production rights contribute towards the socio economic development of the areas in which they operate.

Figures in Rand	2016	2015

22. Public contributions and donations

Public contributions and donations	(10 000)	4 977 620

The municipality received donations from the mine of road infrastructure.

23. Revenue

Government grants & subsidies	296 135 568	256 511 323
Interest received (trading)	7 337 104	4 583 384
Interest received - investment	1 585 117	1 155 435
Other income - (rollup)	2 390 658	751 433
Sundry revenue	1 365 706	1 708 460
Property rates	10 418 008	10 426 038
Public contributions and donations	(10 000)	4 977 620
Rental of facilities and equipment	60 600	73 939
Service charges	30 944 892	20 550 869
	350 227 553	**300 738 501**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received (trading)	7 337 104	4 583 384
Interest received - investment	1 585 117	1 155 435
Other income - (rollup)	2 390 658	751 433
Rental of facilities and equipment	60 600	73 939
Service charges	30 944 892	20 550 869
	42 318 371	**27 115 060**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	10 418 008	10 426 038
Sundry revenue	1 365 706	1 708 460
Transfer revenue		
Government grants & subsidies	296 135 568	256 511 323
Public contributions and donations	(10 000)	4 977 620
	307 909 282	**273 623 441**

24. Bulk purchases

Electricity	5 992 490	6 491 065
Water	4 103 002	4 612 897
	10 095 492	**11 103 962**

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from Rand Water.

25. Contracted services

Specialist Services	-	465 600

26. Debt impairment

Debt impairment	79 248 917	(59 839 362)

Figures in Rand	2016	2015

27. Depreciation and amortisation

Property, plant and equipment	57 117 989	26 490 835

28. Finance costs

Current borrowings	201 738	146 325
Other interest paid	89 046	56 165
	290 784	**202 490**

29. General expenses

Advertising	428 292	622 199
Auditors remuneration	2 830 523	3 901 391
Assets disposal loss	153 431	131 726
Cleaning	133 606	61 987
Commission paid	6 682 768	-
Computer expenses	(254 323)	-
Consulting and professional fees	3 464 771	3 114 767
Stores and materials	-	7 444
Entertainment	208 166	264 567
Insurance	611 940	591 065
Departmental expenses	300 035	615 088
Conferences and seminars	54 432	17 490
IT expenses	77 416	333
Electricity consumption	26 950	95 870
Horticulture	18 400	(111 350)
Magazines, books and periodicals	175 199	183 764
Motor vehicle expenses	45 611	3 540 818
Fuel and oil	5 744 585	4 978 014
Indigent subsidies	22 016	21 464
Security (Guarding of municipal property)	2 062 565	963 060
Software expenses	323 964	(173 832)
Subscriptions and membership fees	508 745	502 079
Telephone and fax	3 698 801	3 521 557
Training	310 366	925 934
Travel - local	3 068 459	3 284 535
Departmental expenses	4 320 821	3 392 353
Uniforms	265 430	216 531
Tourism development	-	44 203
Pump operation cost	1 869 500	1 773 243
Indigent subsidies	2 950 380	3 090 914
Small, medium and micro enterprises support	9 100	-
Valuation roll expenses	-	635 058
Ward committee expenses	1 355 799	1 209 277
Electricity consumption	-	31 980
Computer expenses	189 921	168 110
Name branding	99 698	48 395
Internal audit fees	1 753 934	1 037 973
Capacity buildings	283 824	484 588
Chemicals	1 000	12 300
	43 796 125	**39 204 895**

30. Grants and subsidies paid

Other subsidies		
Government grants	52 992 455	18 379 122

Figures in Rand	2016	2015

31. Employee related costs

Basic	30 765 207	26 616 557
Bonus	2 011 049	2 020 099
Cell phone alloawances	499 800	431 650
Defined contribution plans	4 928 962	4 263 102
Housing benefits and allowances	2 528 927	2 124 249
Leave pay provision charge	-	513 301
Long-service awards	2 207 732	112 455
Medical aid - company contributions	3 177 775	2 824 764
Non pensionable allowances	891 726	503 098
Overtime payments	1 766 348	1 697 864
SDL	489 778	407 916
Transport allowance (bus coupons)	7 159 443	5 678 362
UIF	286 960	253 270
	56 713 707	**47 446 687**

Key management personnel:

Remuneration of municipal manager

Annual Remuneration	604 950	655 006
Car Allowance	360 000	-
Subsistence Allowance	77 200	440 400
Other	167 372	151 397
	1 209 522	**1 246 803**

Mr T.M. Bloom was appointed as municipal manager on 2 February 2012, he was still the active municipal manager on year end.

Remuneration of Chief Finance Officer

Annual Remuneration	460 467	472 940
Car Allowance	67 055	228 465
Housing Allowance	154 214	-
Cellphone Allowance	14 400	14 400
Other	140 220	97 501
	836 356	**813 306**

Mrs. B.D..Motlhaping was appointed as chief financial officer on 1 June 2012, she was still the active chief financial officer on year end.

Remuneration of the corporate services manager

Annual Remuneration	446 959	432 579
Car Allowance	176 000	210 000
Performance Bonuses	51 000	153 996
Other	153 996	38 086
	827 955	**834 661**

Remuneration of the community services manager

Annual Remuneration	-	557 899
Car Allowance	-	251 509
Other	-	25 151
	-	**834 559**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

31. Employee related costs (continued)

Remuneration of the technical services manager

Annual Remuneration	-	518 909
Car Allowance	-	192 000
Other	-	14 400
Other	-	147 996
	-	**873 305**

Remuneration of the local IDP manager

Annual Remuneration	-	514 445
Car Allowance	-	224 000
Other	-	22 400
Other	-	38 086
	-	**798 931**

32. Remuneration of councillors

Mayor	702 295	622 664
Speaker	565 254	515 537
Councillors	6 435 820	5 593 224
Councillors' pension contribution	827 986	772 335
	8 531 355	**7 503 760**

In-kind benefits

The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor has a full-time secretary and driver at the expense of the municipality.

33. Repairs and maintenance

Repairs and maintenance	10 540 698	18 214 760

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

34. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

Financial liabilities

2015

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	57 955 220	57 955 220
Other receivables from non-exchange transactions	1 245 014	1 245 014
	59 200 234	**59 200 234**

Financial liabilities

35. Other revenue

	2016	2015
Other income - (rollup)	2 390 658	751 433

36. Auditors' remuneration

	2016	2015
Fees	2 830 523	3 901 391

37. Cash generated from operations

	2016	2015
Surplus	3 430 789	199 500 875
Adjustments for:		
Depreciation and amortisation	57 117 989	26 490 835
Debt impairment	79 248 917	(59 839 362)
Movements in provisions	2 177 871	154 274
Other non-cash items	(5)	12
Changes in working capital:		
Inventories	220 331	163 699
Receivables from non-exchange transactions	(10 532)	-
Consumer debtors	(31 673 317)	25 684 311
Payables from exchange transactions	19 782 508	13 036 165
VAT	(703 394)	(4 112 994)
Unspent conditional grants and receipts	381 030	-
	129 972 187	**201 077 815**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Investment property	-	36 812 447
• Investments in controlled entities	-	802 142
	-	**37 614 589**

Total capital commitments		
Already contracted for but not provided for	-	37 614 589

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

39. Contingencies

As at year-end, the South African Revenue Services had imposed a penalty of R 122,343.55 on the municipality. The municipality has disputed this penalty but the matter was not finalised as at year-end.

As at year-end, the municipality was not involved in any litigation claims. Therefore no other contingent liabilities or assets are disclosed.

40. Related parties

Relationships
Members of key management and their close family members
TM Bloom
BD Motlhaping
TJ Gopetse
KV Phiri
KJ Mabudi
TS Tlaole

Ward councillors and their close family members
Cllr. N Mokweni
Cllr. O Kaotsane
Cllr. S Ortel
Cllr. K Shuping
Cllr. S Matshidiso
Cllr. G Sephekelo
Cllr. K Modise
Cllr. E Molawa
Cllr. G Moriri
Cllr. D Kubang
Cllr. P Segaetsho
Cllr. S Moagi
Cllr. H Kgopodithata
Cllr. D Josop
Cllr. T Teteme

Party representatives
Cllr. J Freedman
Cllr. MC Tihelo
Cllr. TP Tshipo (Deceased)
Cllr. K Ditshetelo
Cllr. S Segano
Cllr. B Matlhomantsho
Cllr. V Jordan

EXCO Members
Cllr. BM Mbolekwa
Cllr. N Selebalo

Other than the related disclosed above, the municipality does not have any other related parties. No transactions occurred with related parties during the reporting period other than those at arms length as consumers of municipal services.

41. Accounting officers emoluments

Heading	Emoluments	Total
Executive	-	-
2015	-	-
Mr. TM Bloom	1 246 803	1 246 803
Executive	-	-
2014	-	-
Mr. TM Bloom	1 114 151	1 114 151
	2 360 954	**2 360 954**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

42. Prior period errors

1 & 2. Consumer debtors have been reconciled to agree to the debtors listing. This was done to improve debt collection and to effect proper analysis of the debtors book. In addition, the receivables from exhchange transactions have been renamed consumer debtors for better presentation.

3.

Property, Plant and Equipment has been restated to reflect the correct figures as per the fixed assets register. Incorrect figures were previously recorded in the accounting records.

4. The payables records included old balances which were not supported by any list and hence the creditors listing was overstated by the lumped amounts without names of any creditors. The municipality has since implemented strict creditor management and cleared all unsubstantiated balances.

5. There was a mismatch of processing in the municipality's accounting system in the previous years. This caused the ledger bank balance not to agree to the municipality's cash book balances. This has been corrected.

43. Risk management

Interest risk

As the municipality has no significant interest - bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rate.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to a fair interest rate risk. Municipality is to maintain all of itss borrowings in a fixed rate instruments.

Capital risk management

The capital structure of the municipality consist of the debt, cash and cash equivalent and equity as disclosed in the Statement of Financial Position.

There are no externally imposed capital requirements

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. The municipality does not perform an evaluation of the credit risk relating to its customers and therefore risk limits are not set.

44. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had accumulated surplus of R 1 627 048 864 and that the municipality's total assets exceed its liabilities by R 1 627 048 864. The use of the going concern principle is appropriate.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

45. Events after the reporting date

The municipality is unaware of any events after the reporting date which required disclosure and or adjusting events.

46. Unauthorised expenditure

Unauthorised expenditure	285 677 693	243 424 305
Current year	100 223 960	42 253 388
Unauthorised expenditure under investigation	**385 901 653**	**285 677 693**

The above unauthorised expenditure is within the votes and is as a result of overspending on various votes on the budget, therefore the total approved expenditure is overspend. This is unauthorised expenditure was tabled to council in accordance with section 23 (6) of the Budget and Reporting Regulations.

Council is currently investigating the opening balance and current fruitless and wasteful expenditure, irregular expenditure and unauthorised expenditure which is not quantified above.

47. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	1 064 828	953 502
Current year	14 795	111 326
Fruitless and wasteful expenditure under investigation	**1 079 623**	**1 064 828**

Fruitless and wasteful expenditure was due to the late payment of some of the municipalities' accounts. Council is currently investigating the opening balance and current fruitless and wasteful expenditure, irregular expenditure and unauthorised expenditure which is not quantified above.

48. Irregular expenditure

Opening balance	81 260 920	79 433 930
Add: Irregular Expenditure - current year	7 459 822	1 826 990
Irregular expenditure under investigation	**88 720 742**	**81 260 920**

The Irregular expenditure listed above arouse as a result of various non - compliances to the Supply Chain Regulation as well as non - compliance to the Supply Chain Policy of the municipality. Further explainations and descriptions are listed in the Deviation registers. Council is currently investigating the opening balance and current fruitless and wasteful expenditure, irregular expenditure and unauthorised expenditure which is not quantified above.

Figures in Rand	2016	2015

49. Additional disclosure in terms of Municipal Finance Management Act

Distribution losses

Non-Technical losses:

Non-Technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity cables, tampering with meters and connections which form part of illegal consumption, faulty meters, vandalised stand-pipes etc.

Technical losses:

Technical losses are the result electriciy losses while being distributed from the source of genearation through the transmission and distribution network to the final consumer. The wires (copper or aluminium) being used to distribute electricity has certain resistance which resist the thoroughput of current, as a reslut there is a certain portion of elctricity that is lost due to distribution.
Technical losses of water are the result of losses between bulk water purchases less the water distributed to consumers. Alternatively, this can be measured as total water stored in tanks less water distributed to consumers.

Water-

In the current year there were no technical and financlial losses for water distribution. However, there were no-technical losses of water which took place whaich are not quantifiable due to the nature of the losses.

Electricity-

In the current year the energy losses were. These losses are the result of theft, vandalism, faulty meters and variances in monthly consumption estimates. Management has determined that the se losses are not recoverable. Due to the lack of kva meters, the municipality is incurring a loss as Eskom is billing kva while the municipality is not doing so yet.

kWh - units - *kw (2015: 742 696 kw)*
Rand value - *(2015: R777 044)*
Percentage - *(2015: 27%)*

Audit fees

Current year subscription / fee	2 723 942	3 901 391

PAYE and UIF

Current year subscription / fee	-	6 949 128
Amount paid - current year	-	(6 949 128)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	-	7 087 866
Amount paid - current year	-	(7 087 866)
	-	-

VAT

VAT receivable	4 290 274	3 586 880

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

Only one Councillor had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor K. Shuping	255	1 022	1 277

Only Cllr K Shuping of Joe Morolong Local Municipality's Council had consumer accounts in arrears as at year end.

50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

51. Budget differences

Material differences between budget and actual amounts

Material differences are those over 15% and/or R 2m. The main reasons for the material differences are:

1. Service charges - Actual billing was higher than budgeted because due to debtor information verification and improvement in controls.

2. Interest trading - A large debtors book resulted in high interest being charged to consumer accounts.

3. Other income - Income received from .....resulted in other income being significantly higher than budgeted for.

4. Property rates - Higher revenue was billed due to the implementation of the supplementary valuation roll.

5. Government grants and receipts, Public contributions and transfer payments - These are similar in nature and the difference is only due to re-classifications of amounts recognised in revenue. The net difference is not material.

6. Depreciation - There is an increase in depreciation due to a number of large projects being completed and now increasing the annual depreciation charge while there were very little asset disposals.

7. Repairs and maintenance - The difference between actual expense and budget is that

8. Grants and subsidies paid -

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages to in the annual report.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages to in the annual report

Notes to the Annual Financial Statements

52. Heritage assets

53. Other financial assets

54. Disposal of: a significant asset(s) /or a group of assets and liabilities /or a component of the entity

Management has taken a decision to dispose of a significant asset /or a group of assets and liabilities /or a component of the entity.

55. Acquisitions with a view to its subsequent disposal

56. Impairment of assets

57. Assets subject to restrictions

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

58. Decommissioning, restoration and environmental rehabilitation funds

The municipality is a contributor to the following fund(s): Fund 1 and Fund 2.

Joe Morolong Local Municipality
Appendix A
June 2016

Schedule of external loans as at 30 June 2015

	Loan Number	Redeemable	Balance at Tuesday, 30 June 2015 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Thursday, 30 June 2016 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa								
DBSA @ 8.848%	61 000 368	30/06/2027	2 309 959	-	-	2 309 959	-	-
DBSA @ 1 %	61 000 239	01/07/2017	627 492	-	-	627 492	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			2 937 451	-	-	**2 937 451**	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
Total external loans								
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			2 937 451	-	-	2 937 451	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-

Joe Morolong Local Municipality
Appendix A
June 2016

Schedule of external loans as at 30 June 2015

	Loan Number	Redeemable	Balance at Tuesday, 30 June 2015 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Thursday, 30 June 2016 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			2 937 451	-	-	2 937 451	-	-

Joe Morolong Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2016

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
																		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.